

Investment Policy Statement for

(Date: _____)

The purpose of this statement is to clarify the process used to build your portfolio.

The end product is a combination of:

- (i) our knowledge of risk, returns, and investment products, and
- (ii) your risk tolerance, portfolio constraints and cash flow requirements.

1. Risk

Risk is minimized by holding a large number of stocks. This minimizes the potential overall loss if a particular stock performs poorly. We buy those funds that contain the largest number of stocks possible within a given asset class.

Risk is minimized by holding many different Asset Classes. This minimizes the potential overall loss if a particular Asset Class performs poorly. We typically expose your portfolio to stocks and bonds from all around the world.

Risk is minimized if the U.S. bond holdings in a portfolio are of the highest quality. We typically only invest in bonds that are fully backed by the U.S. Government.

Risk is minimized by having assets that perform well in the event of high inflation. We typically invest a substantial portion of your portfolio in Inflation-Indexed Treasury Bonds.

2. Returns

The easiest way to maximize returns is by investing in products with low expenses. Expenses directly reduce your returns. The average annual fees charged by most mutual funds exceed 1.50%. The average annual fee charged by the funds in your portfolio will be less than 0.50%. This 1.00%+ difference in fees will typically add 1.00%+ to your overall return.

Predicting short-term returns is difficult and is typically based on recent performance.

We do not make short-term predictions. We review credible predictions for asset class returns over the next 5-10 years and then evaluate these expected returns relative to the corresponding risk and relative to the expected returns of the other asset classes.

3. Investment Products

The primary investments used in your portfolio are shown below. The Asset classes are chosen to provide broad exposure around the world. The Investment Vehicles are based on our research of the most diversified and lowest cost investments available.

Asset Classes	Investment Vehicle
Equities	
U.S. Stocks	Vanguard U.S. Value Fund
International Stocks in Developed Markets	Developed Market ishare
International Stocks in Emerging Markets	Emerging Market ishare
Real Estate Investment Trusts	REIT ishare
Commodity Stocks	Global Energy ishare
Bonds	
U.S. Bonds – Inflation Indexed Treasury Bonds	Treasury Inflation Protected ishare
U.S. Bonds – GNMA Bonds	Vanguard GNMA Fund
International Bonds in Developed Markets	T.Rowe Price International Bond Fund
International Bonds in Emerging Markets	Payden Emerging Market Bond Fund
Cash	
U.S. Treasury Bills via Money Market	Schwab Money Market Fund

4. Your Cash Flow Requirements

A portion of the cash that you will need over the next 5 years should be kept in only very safe investments, like a money market. This money will be excluded from your primary portfolio.

5. Your Portfolio Constraints

If you have particular investments that you want to buy, sell or keep in your portfolio, we will attempt to modify our recommendations to fit these investments. Please list specific requests here:

6. Your Risk Tolerance

In order to evaluate your risk tolerance, please complete the questionnaire on the following page:

Evaluate Your Risk Tolerance

This questionnaire will help you determine if more savings and investment risk is appropriate for you, based on your personal circumstances and attitudes.

Client Name: _____ Date: _____

	Points
1. Age	_____
• 25 to 50 (3 points)	
• 50 to 65 (2 points)	
• Over 65 (1 point)	
2. Attitude	_____
How would you feel if an investment you owned lost 20% in one day?	
• I'd take it in stride (3 points)	
• Upset, but I'd invest again (2 points)	
• I'd never want to invest again (1 point)	
3. Debts (excluding mortgage)	_____
• Less than 10% of take-home pay (3 points)	
• 10 to 15% of take-home pay (2 points)	
• Over 15% of take-home pay (1 point)	
4. Emergency Fund	_____
• More than 6 months' expenses (3 points)	
• Three to 6 months' expenses (2 points)	
• Less than 3 months' expenses (1 point)	
5. Feelings About the Future of the U.S. Economy	_____
• Optimistic (3 points)	
• Unsure (2 points)	
• Pessimistic (1 point)	
6. Investment Knowledge and Experience Level	_____
• Very knowledgeable (3 points)	
• Some investment knowledge/experience (2 points)	
• Little knowledge/experience (1 point)	
7. Present Investment Portfolio	_____
• Mostly real estate, stocks, mutual funds (3 points)	
• Mostly bonds, annuities, treasuries (2 points)	
• Mostly CDs and money market accounts (1 point)	
8. Time Deadline to Financial Goal	_____
• Ten years or more away (3 points)	
• Three to 10 years away (2 points)	
• Less than 3 years away (1 point)	
	<u>Total</u> _____

If your total score is 20 points or more, you are in a good position to accept risk in your investments. A score of 10 to 20 points indicates moderate tolerance for risk, and less than 10 points indicates a lower tolerance for risk.

7. Determine the Asset Allocation for your Portfolio

Talk to Paul regarding completion of this step.

8. Updating your portfolio

Each quarter we review our investment vehicles and our investment outlook. Any resulting changes in our Model Portfolios will result in changes to your portfolio if the overall total change in asset class percentage allocations exceeds 5% .

I agree with the terms of this Investment Policy Statement.

Signature

Date

Signature

Date